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# Have You Heard the News?

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## Reverse Auction Yields Nearly 30 Percent in Savings

March 3, 2004

The Virginia Information Technologies Agency (VITA) held its first-ever online reverse auction on Feb. 5, resulting in a savings of up to 30 percent on the purchase of storage media products (computer tapes) when compared to prices for the same items on current state contracts. Five new statewide contracts for 32 products will be awarded to suppliers and made available to state agencies, institutions and public bodies. Last year's baseline spend for storage media was \$1.1 million, and the Commonwealth's demand for tapes is increasing annually.

Held in conjunction with Silver Oak Solutions, a Virginia Partners in Procurement (VAPP) firm, the reverse auction was scheduled for 45 minutes, and went into five six-minute extensions as suppliers continued making bids and lowering prices.

A powerful tool for negotiating lower prices for information technology (IT) goods and services, reverse auctions provide an arena where invited suppliers can see each others' bids (anonymously) in real-time and compete for purchasing contracts by lowering their prices. Along with the improved competition due to price transparency among bidders, an online reverse auction provides faster execution over traditional bid processes—minutes compared to days or even weeks—and more efficient administration and decision-making.

Significant savings can be achieved through this type of bid process by choosing goods and services for which there is a competitive marketplace and by leveraging the Commonwealth's collective purchase volume. It is also expected that contract usage by agencies will increase as a result of the better pricing.

VITA plans to conduct more online reverse auctions in the future for a variety of IT goods and services. For additional information, please contact Susan Woolley at [susan.woolley@vita.virginia.gov](mailto:susan.woolley@vita.virginia.gov).

The creation of VITA by the 2003 General Assembly is intended to yield significant savings for the Commonwealth, and increased efficiencies and service improvements to the state's technology infrastructure.

To view this and other VITA Bulletins, visit <http://www.vita.virginia.gov/news/vitaBulletins/vitaBulletins.cfm>.

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